



1969 Annual Report
Isec Canada Ltd.

DIRECTORS

DONALD LEBOVITZ
Chairman and President,
Isec Canada Ltd.,
Montreal, Quebec

BERTRAM STUART LYON
Executive Vice-President and
Secretary-Treasurer,
Isec Canada Ltd.,
Montreal, Quebec

FREDRIK JAMES RANNEY
President,
Isec Corporation,
Princeton, New Jersey, U.S.A.

MARK EDWARD WORKMAN
Financial Consultant,
Montreal, Quebec

NATHAN LOUIS SANDLER
Investment Dealer
President,
N. L. Sandler & Co. Ltd.
Toronto, Ontario

BENJAMIN JOSEPH GREENBERG
Attorney
Senior Partner,
Greenberg, Goldschleger & Blumenstein
Montreal, Quebec

OFFICERS

DONALD LEBOVITZ
Chairman and President

BERTRAM STUART LYON
Executive Vice-President and
Secretary-Treasurer

Head Office

21 Elysée, Floor E,
Place Bonaventure,
Montreal 114, Quebec

Sales Office

Ontario Division:
2 Carleton Street,
Suite 916,
Toronto 200, Ontario
Charles G. Solary, manager

Western Division:
700 Chilco Street,
Suite 302,
Vancouver, B.C.
Glen P. Gregory, manager

Legal Counsel

Greenberg, Goldschleger & Blumenstein
Montreal, Quebec

Auditors

Arthur Andersen & Co.
Montreal, Quebec

Registrars and Transfer Agents

The Montreal Trust Company
Montreal and Toronto

Bankers:

The Bank of Montreal

Share Listing:

The shares of Isec Canada Ltd.
are listed on the Canadian Stock Exchange,
Montreal, Quebec

The President's Report

To the shareholders:

Isec Canada Ltd.'s first year as a public company was a year of significant innovation and accomplishment for us in the investment advisory field.

We were most gratified when, after due examination, our Prospectus was cleared by the Ontario and Quebec Securities Commissions and we were permitted to seek public funds, and later to list the company's shares on the Canadian Stock Exchange.

After more than one year of intensive planning, the ISEC Canadian Index of common share securities was introduced and charter subscribers received their first data sheets in December 1969. The service has been improved and is now as complete and informative as its counterpart NYSE-AMEX Index.

Traditionally, investment advisors reach prospective clients by advertising in print media. However, Isec Canada Ltd. decided upon building a nationwide sales force to market the Isec services. Results to date indicate that the direct contact of salesmen with prospects, supported by modest advertising, is completely justified. Sales offices have been opened in Toronto and Vancouver as well as the Montreal head office. We will continue to recruit and train sales representatives and to open sales offices in other regions as the demand for Isec services develops.

THE SALES OUTLOOK:

Although sales results may appear to be disappointing for the fiscal year, it is significant that 60% of sales were generated during the last quarter of 1969. This strong pattern has continued during the first quarter of 1970 and is evident in income to date in the new fiscal year.

It is also significant that this upsurge of sales in late 1969 came during a depressed period for common share securities, when stock markets were at their lowest averages in years. Sales of investment services traditionally increase with investor confidence during bull markets and decline during bear markets, but the Isec System's usefulness to investors under all market conditions appears to be gaining ever wider recognition.

Isec Canada Ltd. is now developing a new low-priced service designed to reach a wider audience of small investors. Besides bringing them the benefits of Isec selections of undervalued stocks and market trend forecasts, the new service will be designed to introduce investors to the more elaborate Isec services.

A highly qualified commentator on the Canadian securities scene, Michael Maconochie, is joining the company to produce and disseminate the new Canadian service. A similar low-priced service is being developed for the U.S. market.

OTHER CORPORATE DEVELOPMENTS:

During the latter half of 1969, Isec Canada Ltd. tested a number of marketing concepts for the U.S.A., where the Isec System was developed. To carry out these marketing studies we set up an affiliate, Isec Service Corp., and as the year closed this company had embarked upon the hiring and training of representatives in major sales territories.

A proven method of generating new prospects for the Isec services is being introduced, which will go far towards building a satisfactory volume of sales and, in turn, will help attract good sales representatives.

Isec Canada Ltd. diversified into the manufacturing and distribution field when a particularly attractive business opportunity was offered. This opportunity was based upon a Canadian distributorship for Rubson products, a line of proven additives, bonding agents and waterproofing compounds for concrete and steel structures. These products are manufactured by Rubson S.A.F. of France and are sold extensively throughout Europe.

Concrete Surfacing Limited was established with a small manufacturing and distribution center in a Montreal suburb, with Isec Canada Ltd. holding the controlling interest. The new company, besides distributing Rubson products, offers its customers other allied products and technical consulting service to help protect, beautify and prolong the life of concrete structures.

Although Concrete Surfacing Ltd. is still very new in its field, we expect that this company will make a significant contribution to future earnings of Isec Canada Ltd.

APPRECIATION:

I must, on behalf of the Directors of Isec Canada Ltd., extend deep gratitude to the loyal employees who have performed so admirably during the difficult months of launching the company. Special thanks are due to the executive personnel who have worked long and hard, frequently at nominal financial return, in order to help the company become established in its field.

On behalf of the Board of Directors,
Donald Lebovitz, *President*

March 19, 1970.

ISEC CANADA LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31, 1969 AND THE 15 MONTHS ENDED DECEMBER 31, 1968

	1969 (12 months)	1968 (15 months)
SALES, RENTALS AND SUBSCRIPTION		
REVENUE	\$ 65,724	\$ 66,313
COSTS	33,122	35,065
Gross income	<u>\$ 32,602</u>	<u>\$ 31,248</u>
EXPENSES:		
Remuneration of Directors and Senior Officers	\$ 58,212	\$ 12,150
Depreciation	2,013	160
Other selling, general and administrative expenses	111,742	25,535
	<u>\$ 171,967</u>	<u>\$ 37,845</u>
Loss from operations	<u>\$(139,365)</u>	<u>\$(6,597)</u>
MINORITY INTEREST IN LOSS OF ISEC SERVICE CORP.	4,255	—
	<u>\$(135,110)</u>	<u>\$(6,597)</u>
SHARE OF LOSS OF ISEC CORPORATION (Note 2)	(13,858)	—
Net loss	<u><u>\$(148,968)</u></u>	<u><u>\$(6,597)</u></u>

CONSOLIDATED STATEMENTS OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1969 AND THE 15 MONTHS ENDED DECEMBER 31, 1968

	1969 (12 months)	1968 (15 months)
BALANCE, at beginning of period	\$ 6,597	\$ —
Net loss	148,968	6,597
Expenses in connection with issue of shares	37,250	—
BALANCE, at end of period	<u><u>\$ 192,815</u></u>	<u><u>\$ 6,597</u></u>

The accompanying notes are an integral part of these statements.

ISEC CANADA LTD. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS—DECEMBER 31, 1969 AND 1968

ASSETS		1969	1968
CURRENT ASSETS:			
Cash		\$ 3,898	\$ 3,091
Marketable securities, at cost which approximates market		200,000	—
Accounts receivable		21,811	11,766
Advances to directors		15,000	—
Inventories, at the lower of cost (first-in, first-out) or market		13,699	3,945
Deferred data subscription and rental costs (Note 3)		31,628	11,560
Prepaid expenses		2,353	160
Total current assets		<u>\$288,389</u>	<u>\$30,522</u>
INVESTMENTS:			
Shares of Isec Corporation (Note 2)		\$175,049	\$ —
Advances to Concrete Surfacing Limited (Note 4)		8,700	—
		<u>\$183,749</u>	<u>\$ —</u>
FURNITURE, EQUIPMENT AND LEASED COMPUTERS,			
at cost		\$ 23,922	\$ 759
Less — Accumulated depreciation		2,173	160
		<u>\$ 21,749</u>	<u>\$ 599</u>
ORGANIZATION EXPENSES		\$ 2,177	\$ 742
		<u>\$496,064</u>	<u>\$31,863</u>

Approved on behalf of the Board:

DONALD LEBOVITZ, Director

B. STUART LYON, Director

ISEC CANADA LTD. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS — DECEMBER 31, 1969 AND 1968

LIABILITIES

CURRENT LIABILITIES:	1969	1968
Bank overdraft	\$ 7,698	\$ —
Accounts payable —		
Isec Corporation (U.S. \$26,041 in 1969 and		
U.S. \$8,508 in 1968)	28,124	9,000
Other	42,920	6,026
Deferred data subscription and		
rental revenue (Note 3)	46,432	13,230
Total current liabilities	<u>\$ 125,174</u>	<u>\$ 28,256</u>
MINORITY INTEREST IN SUBSIDIARY	<u>\$ 1</u>	<u>\$ —</u>

SHAREHOLDERS' EQUITY (Notes 7 and 8):

Capital stock at December 31, 1969 —		
Common shares, no par value — authorized, 2,000,000		
shares; issued, 500,500 shares	\$ 554,704	
Capital stock at December 31, 1968 —		
7% redeemable, non-cumulative Class "A" preferred		
shares, \$10 par value — authorized, 7,500 shares		
Non-cumulative, participating Class "B" preferred shares,		
no par value — authorized, 20,000 shares;		
issued, 1 share		\$ 9,000
Common shares, no par value — authorized,		
5,000 shares; issued, 2,170 shares		1,204
	<u>\$ 554,704</u>	<u>\$ 10,204</u>
Contributed surplus	\$ 9,000	\$ —
Deficit, per accompanying statements	<u>\$ (192,815)</u>	<u>\$ (6,597)</u>
Total shareholders' equity	<u>\$ 370,889</u>	<u>\$ 3,607</u>
	<u>\$ 496,064</u>	<u>\$ 31,863</u>

ISEC CANADA LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1969 AND THE 15 MONTHS ENDED DECEMBER 31, 1968

	1969 (12 months)	1968 (15 months)
SOURCE OF FUNDS:		
Issue of common shares	\$553,500	\$ 1,204
Issue of Class "B" preferred share	—	9,000
Minority interest in subsidiary	1	—
	<u>\$553,501</u>	<u>\$10,204</u>
 APPLICATION OF FUNDS:		
Operations —		
Net loss	\$148,968	\$ 6,597
Less —		
Depreciation	2,013	160
Share of loss of Isec Corporation	13,858	—
	<u>\$133,097</u>	<u>\$ 6,437</u>
Investment in shares of Isec Corporation	188,907	—
Advances to Concrete Surfacing Limited	8,700	—
Purchase of fixed assets	23,163	759
Expenses in connection with issue of shares	37,250	—
Organization expenses	1,435	742
	<u>\$392,552</u>	<u>\$ 7,938</u>
Increase in working capital	<u>\$160,949</u>	<u>\$ 2,266</u>
 WORKING CAPITAL:		
At beginning of period	2,266	—
At end of period	<u>\$163,215</u>	<u>\$ 2,266</u>

The accompanying notes are an integral part of these statements.

ISEC CANADA LTD. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. CONSOLIDATED FINANCIAL STATEMENTS

The 1969 financial statements of the Company are consolidated with those of its 60%-owned subsidiary, Isec Service Corp., a New Jersey corporation which commenced operations in 1969. The remaining 40% of the subsidiary is owned by Isec Corporation.

By agreements with Isec Corporation expiring in 1989, Isec Canada Ltd. and subsidiary hold exclusive distributorship rights to the Isec 250 computer and related data service.

The 1968 financial statements comprise the results of operations and the source and application of funds of Isec Canada Ltd. for the fifteen months from date of incorporation to December 31, 1968.

U.S. dollar amounts in the financial statements have been translated to Canadian dollars at U.S. \$1.00 = Canadian \$1.08, which approximates the prevailing rate of exchange during 1969 and 1968.

2. INVESTMENT IN SHARES OF ISEC CORPORATION

During 1969, Isec Canada Ltd. acquired a 20% interest in Isec Corporation for \$188,907 (U.S. \$100,000 plus 25,000 common shares of Isec Canada Ltd. issued at U.S. \$3.00 per share). Isec Canada Ltd. accounts for this investment by the equity method whereby the Company's equity in earnings or losses is reflected currently in income; accordingly, the statement of income (loss) for the year ended December 31, 1969, includes an amount of \$13,858, being the Company's share of Isec Corporation's loss for the year, and the carrying value of the investment in Isec Corporation has been reduced by the same amount.

The underlying book value of the investment in Isec Corporation at December 31, 1969, was approximately U.S. \$27,000. Isec Corporation's investment in 25,000 common shares of Isec Canada Ltd. is carried in Isec Corporation's accounts at U.S. \$3.00 per share. Recent quoted market price of these shares was Canadian \$1.00.

3. DEFERRED INCOME

The Companies' policy is to record income from data subscriptions and rentals over the terms of the subscriptions and leases. Accordingly, revenue applicable to unexpired leases and subscriptions at the end of each year, and costs

related thereto, have been deferred in the consolidated balance sheets.

4. ADVANCES TO CONCRETE SURFACINGS LIMITED

On December 31, 1969, Concrete Surfacing Limited, a company incorporated by Letters Patent dated November 28, 1969, obtained exclusive Canadian distribution rights, for a period of 10 years, to certain Rubson concrete water-proofing products; the company commenced operations in 1970.

Isec Canada Ltd. owns 75% of Concrete Surfacing Limited and is committed to advance \$25,000 to that company as required, of which \$8,700 had been advanced as of December 31, 1969. In addition, the first \$50,000 of net profits of Concrete Surfacing Limited is required to be paid to the former owner of the Canadian distribution rights referred to above.

5. TAX LOSS CARRY-FORWARD

Isec Canada Ltd. has accumulated losses of approximately \$146,000 which are available for deduction in determining taxable income of future years. The utilization of this amount is dependent upon future profitable operations.

The losses of Isec Service Corporation and Isec Corporation are subject to the loss carry-forward provisions of the U.S. Internal Revenue Code.

6. LEASE COMMITMENTS

The Companies operate in leased premises under leases requiring rental payments to 1974 of approximately \$53,000.

7. PREFERRED STOCK

As of January 20, 1969, the holder of one Class "B" preferred share surrendered said share for \$1. The excess of the paid-in amount over surrender price was added to contributed surplus in the consolidated balance sheet.

By Supplementary Letters Patent dated February 18, 1969, authorized Class "A" and Class "B" preferred shares were cancelled.

8. COMMON STOCK

Issued common shares:

During the year ended December 31, 1969, the following common stock issues were made:

<i>Issued common shares</i>			<i>shares of that</i>		
	<i>Number</i>	<i>\$</i>	<i>company</i>	<i>25,000</i>	<i>81,000</i>
Balance, December 31, 1968	2,170	\$ 1,204		498,330	\$553,500
(i) By Supplementary Letters Patent dated February 18, 1969, authorized common shares were sub-divided 150 for 1 and 1,250,000 additional shares were authorized ..	323,330	\$ —	Balance, December 31, 1969	500,500	\$554,704
(ii) 150,000 shares were issued for \$472,500 pursuant to an underwriting agreement dated February 26, 1969 ...	150,000	\$472,500	<i>Share purchase warrants:</i>		
(iii) 25,000 shares were issued to Isec Corporation at U.S. \$3.00 per share as partial payment for the purchase of			120,000 common shares have been reserved for possible eventual allotment to the holders of 120,000 share purchase warrants. These warrants were issued for \$1 pursuant to the underwriting agreement dated February 26, 1969, and entitle the holders thereof to purchase one common share for each warrant held for \$3.50 to April 15, 1971, for \$4.00 to April 15, 1973 and for \$5.00 to April 15, 1976.		
			<i>Stock options:</i>		
			The Company has established a Stock Option plan pursuant to which 25,000 common shares of the Company have been reserved for allotment to key employees, directors and senior officers of the company.		
			At December 31, 1969, options were outstanding to purchase 17,500 shares at \$3.15 per share and 4,000 shares at \$2.25 per share. The options are exercisable in stages from 1970 to 1974.		

AUDITORS' REPORT

To the Shareholders,
Isec Canada Ltd.:

We have examined the consolidated balance sheet of ISEC CANADA LTD. (a Canada corporation) AND SUBSIDIARY as of December 31, 1969, and the related consolidated statements of income (loss), deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A major asset of Isec Canada Ltd. is its investment in shares of Isec Corporation (\$175,049). As explained in Note 1 to the consolidated financial statements, Isec Canada Ltd. and subsidiary are exclusive distributors of the products of Isec Corporation; accordingly, the realization of the amount at which the investment in Isec Corporation is carried is dependent on future successful operation of that company and of the computer distribution business of Isec Canada Ltd. and subsidiary.

In our opinion, subject to the realization of the carrying amount of the investment referred to in the preceding paragraph, the accompanying consolidated balance sheet and consolidated statements of income (loss), deficit and source and application of funds present fairly the financial position of Isec Canada Ltd. and subsidiary as of December 31, 1969, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Montreal, Quebec,
March 13, 1970.

ARTHUR ANDERSEN & CO.
Chartered Accountants

